

# CITY COUNCIL REPORT



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MEETING DATE: 05/09/2006    ITEM No.    /    GOAL: Fiscal and Resource Management

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## **SUBJECT**

**City Council Budget Subcommittee Recommendations on FY 2006/07 Budget**

## **BACKGROUND**

The Scottsdale City Council established the City Council Budget Subcommittee for the purpose of gathering public input regarding the proposed City budget and making recommendations to the full City Council. The FY 2006/07 Budget Subcommittee members are Councilman Robert Littlefield, Chair; Vice Mayor Ron McCullagh; and Council Member Betty Drake.

The Subcommittee held a total of 13 public meetings from February through May 2006 to discuss key issues in the proposed budget and formulate the Subcommittee's recommendations to the full City Council. The Subcommittee's meetings included three half-day working sessions to review in detail the proposed budget with all department managers. This also included two Citizen Forums sponsored by the Subcommittee for the specific purpose of gaining input on citizen priorities and receiving feedback on the proposed budget. The Subcommittee also received e-mails and letters from citizens.

Before deciding on their recommendations, the Subcommittee discussed requests from citizens, policy issues referred to the Subcommittee by the City Manager and items raised by members of the Subcommittee. This report reflects those items that a majority of the Subcommittee agreed to recommend to the full City Council. The Subcommittee recognized that funding of these items is dependent upon the passage of Proposition 402 on May 16, 2006.

## **RECOMMENDATIONS**

**Youth Sports Field Maintenance.** The Subcommittee recommends that the maintenance of youth sports fields at ten Scottsdale Unified School District sites be increased to a level similar to City park sites. The first-year cost would be \$508,002. An additional 50 FTEs would need to be added to maintain the school sites five days per week. This would be in addition to the \$141,978 already in the proposed budget to perform the level of periodic maintenance called for in the approved Intergovernmental Agreement (2005-023-COS) with the school district. Staff plans to meet with school district representatives to seek input and discuss alternatives for addressing operational and funding issues and report back to the full City Council. Possible alternatives discussed by the Subcommittee include the City budgeting for the operating costs associated with increased maintenance, giving the District a year to bring the quality of maintenance to the same level or entering into a cost-sharing arrangement with the district. Any changes would require the Intergovernmental Agreement(s) with the School District to be revised and approved by both governing bodies.

Action Taken \_\_\_\_\_

**Downtown Marketing Program.** The Subcommittee recommends that the City Council amend the proposed budget for FY 2006/07 and add \$228,090 from the General Fund unreserved fund balance for the purpose of funding the Downtown Marketing program. The purpose of this program is to provide public funding for marketing in support of Downtown businesses. Last year was the first year that City funds had been used for Downtown Marketing. In previous years, this program had been funded from assessments from properties within the Downtown Enhanced Municipal Services District. Funding in past years has provided for advertisements, special event sponsorships, a Web site, concierge outreach services, brochure/map printing and evaluations of marketing program effectiveness. After a presentation and discussion of the current year program, the Subcommittee asked that staff bring back a revised program with additional input from downtown stakeholders. The stakeholders recommended an increase of approximately \$40,000 to fund a local resident outreach program and cooperative advertising and promotion program with the Scottsdale Convention and Visitors Bureau. The Subcommittee discussed the need to shift the responsibility for financial support of this program from the City to the Downtown merchants in future years.

**Healthcare Funding.** The Subcommittee recommends that the City Council amend the proposed budget for FY 2006/07 and add \$1.3 million from the General Fund unreserved fund balance to pay for the premium contribution rates adopted by the City Council on April 4, 2006 (Resolution #6824). Staff presented two alternatives to the Subcommittee: pay for the increased expenditures with a transfer from the General Fund or underfund the self-insurance fund based on anticipated claims and reserve requirements. The \$1.3 million covers costs that would have been paid by employees in the original proposed plan that would be instead paid by the City under the adopted plan.

**DC Ranch Community Park Tennis Courts.** The Subcommittee recommends that the City Council amend the proposed Capital Improvement Plan to add the DC Ranch Community Park project in FY 2010/11 at an estimated cost of approximately \$5.2 million in Bond 2000 funds with annual operating impacts of approximately \$405,000. The Subcommittee heard from a number of residents concerned about the lack of public tennis courts in the northern part of the City and requested that this park project be accelerated.

**TPC Scottsdale Desert Course Improvements.** The Subcommittee recommends that the City Council allocate \$10 million in TPC Scottsdale lease revenues and payments from the PGA to be used for debt service to improve the TPC Scottsdale Desert Course and Clubhouse renovations. Funding for the renovation would come from the annual course lease revenues. In addition, the PGA has agreed in principle to pay the City additional funds of \$200,000 annually for 28 years commencing after construction, with \$50,000 in year one and \$100,000 in year two for a total of \$5.75 million to help fund this project and other capital needs. The PGA expects the changes to revitalize and increase the marketability of both courses in Scottsdale and increase tourism play and revenues. Further, the PGA concurs with the use of a portion of the annual lease revenue (\$260,000) to help retire the debt on the 52-acres recently purchased from the State Land Department to support parking for the TPC Scottsdale events. If the City Council approves the Subcommittee's recommendation to include this project in the FY 2006/07 capital budget, the approval would only be conceptual, at this time. Before this project could move forward, staff would need to come back to the City Council for formal approval of the contract modifications and bond issuance. All agreements are also subject to approval by the U.S. Bureau of Reclamation.

**Helicopter Program.** The Subcommittee recommends that the City Council amend the proposed Capital Improvement Plan to remove the Helicopter program from the five-year plan. The impact would be a reduction in the capital budget of \$6.4 million of Bond 2000 funding. The Subcommittee discussed possibly reconsidering the program when there is sufficient need at a future date, such as when there is increased access and use of the McDowell Sonoran Preserve.

**Scottsdale Cultural Council requests.** The Subcommittee recommends that the City Council approve a funding request from the Cultural Council Board of Trustees for \$119,725 in one-time capital costs for projects designed to maintain, preserve or enhance the City's collections and facilities managed by the SCC. Projects include Theater Rigging, Security System Replacement and SMOCA Humidification. The Subcommittee also recommended \$90,000 in one-time operating expenses for a Community Cultural Assessment. The Subcommittee did not recommend approval of requests for on-going funding.

**Villa Monterey Golf Course property.** The Subcommittee recommends the FY 2006/07 capital budget be amended to include \$200,000 for acquisition and \$1.8 million to bring the property into code compliance. This would begin the process of rehabilitating the property to City standards for use as an open space park, however additional capital improvements would be needed in subsequent years. General Fund revenues would fund the capital project. The related operating costs of \$150,000 for maintenance and two maintenance workers would also be added to the FY 2006/07 General Fund budget. The property is currently in escrow with a private property and the due diligence period expires May 23, 2006. If the City Council approves the Subcommittee's recommendation, this would only provide conceptual approval, at this time. Staff would need to come back to the City Council for formal approval of the purchase contract.

**Maricopa County Human Services Campus.** The Subcommittee recommends that the City Council fund \$40,000 from the General Fund for each of the next three fiscal years to help close out the capital campaign for the campus that serves the regional homeless population. The County requested that cities and towns share the remaining \$1 million cost of the project. This amount is proportional to Scottsdale's population.

**City Hall Security.** The Subcommittee recommends that the City Council discuss whether to continue the security guard screening program at City Hall. There was discussion about whether the program was needed at all, whether it should be limited to office hours or whether it should be limited solely to public meetings held in the Kiva. The program cost is \$152,259 in the FY 2006/07 General Fund budget.

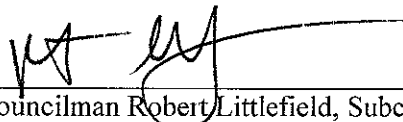
#### **ADDITIONAL INFORMATION**

The Subcommittee also discussed the process used to review the Budget. While detailed reviews and discussions with staff were helpful to the members, there was concern that the entire Council did not have the opportunity to participate. As a result, the Subcommittee felt the City Council should consider reviewing the proposed budget as a committee of the whole, or at minimum hold additional work studies with the full City Council on specific areas of the budget. The Subcommittee also agreed that to provide greater exposure regarding budget deliberations that next year's departmental presentations and committee meetings should be televised.

**OPTIONS**

- A. Accept Subcommittee recommendations and direct staff to revise the FY 2006/07 Budget and Capital Improvement Plan that will be tentatively adopted on May 15, 2006.
- B. Modify some or all of the Subcommittee recommendations and direct staff to include or remove specific items in the FY 2006/07 Budget and Capital Improvement Plan.
- C. Do not accept Subcommittee recommendations and do not include or remove items from the FY 2006/07 Budget and Capital Improvement Plan.

**APPROVED BY**

  
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Councilman Robert Littlefield, Subcommittee Chairman      Date  
For the City Council Budget Subcommittee

5/9/06